Automobile

Strong Product Cycle To Support Industrial Sales

MARKET WEIGHT
(Maintained)

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Highlights

- Auto sales remain supported by replacement-driven demand and a healthy product cycle, although intensifying competition and elevated promotional activity continue to pressure industry margins.
- EV adoption remains on a positive trajectory, with ytd sales surging 120% yoy and reaching 8% of TIV, supported by continued automaker investment and Malaysia's relatively low EV penetration.
- We maintain our 2026 TIV forecast of 790,000 units (-3.6% yoy) and MARKET WEIGHT rating on the sector.

Analysis

- **KLIMS 2026 highlights strong product cycle supporting replacement demand.** KL International Mobility Show (KLIMS) 2026 showcased a healthy pipeline of upcoming launches across major brands, particularly within the SUV segment, which accounts for 30% of TIV. Key models expected to gain traction include Proton's AMA02 (A-segment SUV), the 3rd-Gen Mazda CX-5 and Jetour T1. The majority of new launches were concentrated in the RM100,000-200,000 mass-premium segment, underscoring intensifying competition among non-national brands.
- **EV competition remains intense despite policy headwinds.** Automakers continued to expand and refresh their EV offerings despite tighter completely built-up (CBU) EV regulations and moderating post-tax incentive demand. Proton, currently a leading EV player by market share, introduced a premium variant of the eMas 7, while BYD launched a facelifted Atto 3. Toyota expanded its EV presence with three new models despite its traditional hybrid focus, while Kia could be a potential new entrant into Malaysia's EV market. Perodua also reaffirmed its EV ambitions through a price reduction for its QEV model and is concurrently developing its second EV model.
- **Proton advances hybrid electrification strategy.** Proton showcased its Future Motion HEV system, a full hybrid powertrain combining a 1.5-litre petrol engine, electric motor and Dedicated Hybrid Transmission (DHT). The system is designed to seamlessly switch between petrol and electric power depending on driving conditions. Notably, it is claimed to achieve thermal efficiency exceeding 48%, which compares favourably with many existing hybrid systems. The technology is expected to debut in a compact SUV (A-segment) built on the AMA02 platform, which could emerge as the most affordable hybrid model in the market.
- **TIV moderated in May 26 on fewer working days.** Malaysia Automotive Association (MAA) reported May 26 total industry volume (TIV) of 61,250 units (-15% mom, -12% yoy). After two consecutive months of growth, sales moderated mainly due to fewer working days. Cumulatively, 5M26 TIV declined slightly to 315,568 units (-1.5% yoy), largely driven by weaker non-national brand sales (-14%), broadly in line with our full-year expectations. Meanwhile, total industry production (TIP) declined more sharply to 287,477 units (-4.1% yoy), suggesting that new vehicle sales continue to be largely driven by CBU imports.

Segmental Rating

Segment	Rating
Malaysia	MARKET WEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Bermaz Auto	BAUTO MK	BUY	1.03	1.14

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 22 Jun 26 (RM)	Target Price (RM)	Upside To TP (%)	PE 2025A (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026E (%)	ROE 2026E (%)	Market Cap. (RMm)	Price/ NAV ps (x)
Sime Darby	SIME MK	BUY	2.18	2.55	18.1	12.5	10.5	10.1	6.0	10.7	14,721.7	0.8
Bermaz Auto	BAUTO MK	BUY	1.03	1.14	9.6	11.4	9.6	8.9	7.2	11.8	1,179.4	1.7
Pecca Group	PECCA MK	BUY	1.44	1.66	15.3	18.2	18.5	15.7	4.2	26.0	1,043.2	4.8

Source: Bloomberg, UOB Kay Hian

- **Outlook: Strong product cycle supports volumes, but margins remain under pressure.** The strong pipeline of new models should continue to support replacement demand and sustain industry sales momentum over the next 12-18 months. However, intensifying competition is leading to higher promotional activity, including rebates even for newly-launched models, which is likely to cap margin expansion across the industry. We also observe that demand for new models tends to taper off more quickly than before, prompting automakers to constantly introduce facelifts or refreshed variants to sustain interest.
- **EV outlook remains constructive despite stricter rules.** The continued rollout of EV models highlights automakers' confidence in Malaysia's long-term EV growth potential. Malaysia's EV adoption remains at an early stage, with penetration at about 8% of TIV, significantly below more mature markets such as Singapore (~50%), suggesting substantial room for long-term growth. We expect EV uptake to gradually accelerate as more CKD models are introduced, in line with the government's localisation policy. For 2026, we forecast EV penetration to increase to 10% of TIV from 5.3% in 2025, mainly supported by an increase in mass market adoption through national brands' affordable EV models.
- **Maintaining our 2026 TIV forecast of 790,000 units (-3.6% yoy).** We expect moderation in TIV driven by lower sales of non-national brands amid intense competition in the mass premium segment, which offset sustained demand in the mass-market segment. This reflects our view that the local automobile sector has entered a normalisation phase, with sales expected to gradually decline amid limited catalysts that can drive consumer demand apart from new model launches.
- **Stock implications.** The new Mazda CX-5, slated for launch in Aug 26, is expected to be Bermaz Auto's next key growth driver. We estimate the model could contribute an additional 150-200 units per month, equivalent to around 15% of Mazda's current monthly sales volume. Xpeng also unveiled the P7 sedan, although its launch timeline remains uncertain. With CKD assembly now underway at EPMB's plant, we expect Xpeng to progressively expand its local model lineup over time. Meanwhile, Toyota's (Sime Darby) three new EV models are unlikely to be major volume contributors given their higher price points relative to Chinese competitors. Nevertheless, its hybrid lineup should continue to see healthy demand, supported by strong brand equity and increasing consumer acceptance of hybrid vehicles.

Valuation/Recommendation

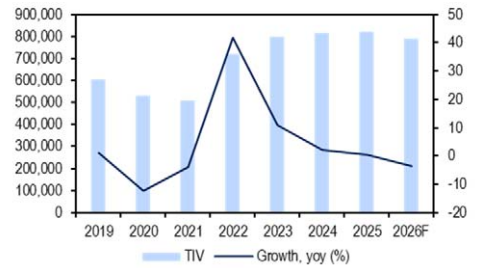
- **Maintain MARKET WEIGHT.** Our sector outlook factors in moderation of TIV for 2026 at 790,000 units (-3.6% yoy) as we expect demand to normalise following three consecutive years of elevated sales alongside limited catalysts to drive demand growth. The sector currently trades at 10.5x 2026F P/E, broadly in line with its historical average, with earnings recovery has been largely priced in. We remain neutral on the sector due to limited upside to valuation given the absence of meaningful catalysts.
- **Our top pick is Bermaz Auto (BUY; Target: RM1.14),** which is poised to sustain its earnings momentum, supported by robust demand for the Mazda3 and the upcoming launch of the new CX-5. Despite the recent share price appreciation, the stock continues to trade below its historical average P/E of 10.5x and offers an attractive dividend yield of over 7%, backed by a strong net cash position of about RM300m.

New Model Launches

Model	Timeline
2026 Xpeng X9	2Q26
2026 BYD Atto 3	2Q26
Proton eMas 7 Premium	2Q26
Honda Prelude (6th Gen)	2Q26
Jetour T1	2Q26
Chery Tiggo 9	2Q26
Mazda CX-5 (3rd Gen)	3Q26
Ora 5 HEV	3Q26
Haval H7 PHEV	3Q26
Zeekr 9X	4Q26
Proton AMA002	4Q26

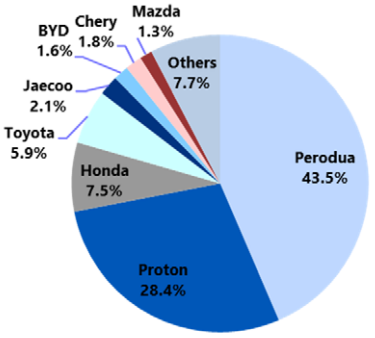
Source: Media and Industry Reports, UOB Kay Hian

Yearly TIV Numbers



Source: MAA, UOB Kay Hian

Market Share As Of May 26



Source: MAA, UOB Kay Hian

Top Key Marques YTD

	Sales (Units)		Market Share (%)		Ranking	
Make	Jan–May 26	Jan– May 25	Jan–May 26	Jan– May 25	Jan–May 26	Jan– May 25
Perodua	130,778	143,860	41.4	44.9	1	1
Proton	82,559	59,134	26.2	18.5	2	2
Honda	19,917	29,557	6.3	9.2	3	3
Toyota	19,709	26,051	6.2	8.1	4	4
Jaecoo	6,542	7,568	2.1	2.4	5	5
BYD	5,218	4,879	1.5	1.3	6	6
Chery	4,662	4,107	1.7	1.5	7	7
Mazda	3,422	3,422	1.1	1.1	8	8
Others	22,971	20,250	7.3	6.3	n/a	n/a
Passenger	295,778	298,828	93.7	93.3		
Commercial	19,790	21,598	6.3	6.7		
TIV	315,568	320,426	100.0	100.0		

Source: MAA, UOB Kay Hian

KLIMS 2026 Model Preview

Toyota bZ4X

Honda Prelude

Proton eMas 7 Premium

Mazda CX-5

Kia K4

Perodua C2 Concept

Ora 5 HEV

Kia EV 5

Xpeng P7

Source: Paultan.org, UOB Kay Hian

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